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C O N F I D E N T I A L ABU DHABI 001062

SIPDIS

DEPARTMENT FOR NEA/ARP (BMASILKO) AND EEB/ESC/IEC/EPC (MMC MANUS)

E.O. 12958: DECL: 09/20/2018

TAGS: EPET ENRG PGOV AE

SUBJECT: ADNOC LOOKS TO NEW TECHNOLOGIES (AND NEW POLICIES) TO MEET RISING DOMESTIC GAS DEMAND

REFS: A) ABU DHABI 975, B) ABU DHABI 945, C) ABU DHABI 943, D) ABU DHABI 920

Classified by Charge d'Affaires Doug Greene for reasons 1.4 (b and d).

¶1. (C) Summary: Abu Dhabi National Oil Company (ADNOC) is exploring the application of new technologies to increase the supply of natural gas to the domestic market. ADNOC officials report that the company is developing nitrogen injection capacity as well as testing the impact of temporary reductions in gas reinjection. Further, ADNOC studies indicate the emirate's longstanding production sustainment policy should be reconsidered, as fields may benefit from higher production. Both steps would help ADNOC meet growing domestic electricity demands. However, Western energy officials believe such changes may be slow to implement. End summary.

¶2. (C) ADNOC Deputy CEO and Supreme Petroleum Council (SPC) member Abdallah Nasser al-Sowaidi and Offshore Division Manager Ali al-Shamsi told Econoff in a September 3 meeting that ADNOC was studying how new technologies could free up natural gas to meet rising domestic energy demand. (Note: Electricity demand in Abu Dhabi alone is expected to grow 40 percent by 2012. End note.) Al-Sowaidi said ADNOC was considering nitrogen and CO2 injection instead of natural gas. Further, ADNOC had conducted studies that indicated gas reinjection could be reduced during the summer, in order to meet peak electricity demand (particularly for air conditioning), without any negative impact on oil fields. Al-Sowaidi said ADNOC is now considering a pilot gas reinjection reduction program for summer 2009.

¶3. (C) Al-Sowaidi also opined that the current Abu Dhabi sustainment policy that sets limits on field production should be lowered. Currently, the policy only allows for fields to produce one percent of proven reserves, which would ensure stable production over a 25-year period. Al-Shamsi said recent ADNOC studies indicated fields may actually benefit from greater production.

¶4. (C) However, some Western oil executives say that al-Sowaidi and al-Shamsi are simply representative of a new generation of Emiratis who are trying to convince older officials to quicken the pace of development. One senior BP official told Econoff that BP has been pushing ADNOC to consider CO2 injection for years, but approval could take considerably longer. Exxon Mobil has also been involved in ADNOC studies about nitrogen injection, but has no indication when implementation will begin.

¶5. (C) Comment: The Abu Dhabi construction boom (refitels) will place enormous pressure on the emirate's electricity supply. As the source of most fuels for power generation, ADNOC is under significant pressure to respond to rising demand. Given the growth estimates -- and the emirate's ambitious development plans -- ADNOC policy changes are likely to occur more rapidly. End comment.

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